

Road User Fee Task Force

Report to the 78th Oregon Legislative Assembly

July 2015

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Introduction

Funding for transportation system maintenance, improvements and construction is declining in Oregon and around the country, despite a continued increase in vehicle miles travelled. This is due in part to more fuel-efficient vehicles purchasing less fuel, and thus paying less in fuels taxes, which go toward maintaining and building roads and highways. Because of the slow erosion of this funding structure, many state DOT's and the federal government have begun to investigate users of the road paying per mile instead of per gallon. Oregon is the first government entity to establish a per mile charge program in law for light vehicles.

Brief History of the Road Usage Charge

The per mile charge is not a new concept in Oregon. In 2001, the legislature first authorized initial investigation into alternatives to the traditional fuels tax. Twelve years and two pilot programs later, after significant research and study, Oregon's Road Usage Charge Program is operational, enacted by Senate Bill 810 in 2013.

Policy History

July 2001: With the steady erosion of revenue from the state's fuels tax and in anticipation of further erosion as the state's vehicle fleet becomes more fuel efficient, the Oregon State Legislature creates the Road User Fee Task Force (RUFTF) to examine various alternatives for replacing Oregon's fuels tax as the primary source of revenue for repairing, maintaining and building Oregon's roads.

December 2001: ODOT receives the first of three grants from the Federal Highway Administration's Value Pricing Program to fund RUFTF projects.

March 2003: RUFTF, administered by ODOT, presents the idea of a mileage-based charge to the legislature because it is a fair, simple and affordable way to generate road revenue.

May 2004: ODOT and Oregon State University successfully test on-board equipment that counts and communicates mileage so that gas stations can collect information and deduct fuels tax while adding the mileage-based charge, all at the pump.

Fall 2005: A pre-pilot using 20 vehicles tests all facets of the program.

Spring 2006: ODOT begins recruiting volunteers for a pilot program, and begins to equip cars with on-board equipment. Two gas stations volunteer to participate as mileage data collection and per mile charge payment processing points.

Spring 2006- Spring 2007: The Road User Fee Pilot Program runs with 285 vehicles. Pilot goals include analyzing congestions pricing impacts, transaction accuracy, participant acceptance, cost impacts and ease of use.

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Fall 2007: Final report is issued for the 2006-2007 pilot with several key findings: 1) The concept is feasible, but needs further refinement to address specific issues; 2) Privacy is protected, but the public remains skeptical of this issue, and other options should be developed to address their concerns; 3) Retrofitting vehicles is cost-prohibitive, and as such a phased approach to implementation is indicated; and 4) Technology must be open and flexible to leverage the innovation and efficiency of the private sector.

2007 – 2011: Other states follow Oregon’s lead and examine policies for a per mile charge and some begin testing various applications. Interest in the concept grows nationally and internationally. Meanwhile, the 2009 Oregon Legislature makes the Road User Fee Task Force permanent, and the task force continues meeting regularly, reviewing research and discussing ways to “develop and refine alternatives to the gas tax as a method of raising revenue for highways, roads and streets”; in particular the group focuses on what it learned from the 2006-2007 pilot in order to move forward.

2011: RUFTF proposes a refined pilot that will address each of the issues raised in the earlier pilot and new information gained from other studies.

2012: ODOT staff distributes Requests for Proposals and meets with vendors to create the next legislatively-mandated pilot. The new pilot, the Road Usage Charge Pilot Program, get underway with 44 Oregon vehicles, 21 Washington vehicles and 23 Nevada vehicles. It runs for four months in order to have results available for Oregon’s next legislative session. Some of the participants from Oregon are elected officials and others with in-depth interest in the per mile charge concept. Evaluation report findings conclude that the road usage charge system used in this second pilot:

- Was easy to use and convenient
- Offered viable choices – and that ability to choose was important to participants because it helped ensure privacy
- Used technology that was accurate, adaptable and resistant to tampering
- Demonstrated a fair, supportable and efficient replacement for the state fuels tax that could be used for all vehicles using Oregon’s roadways; and
- Allowed drivers of highly fuel-efficient vehicles to pay their commensurate share of road costs.

2013: The Road Usage Charge Pilot Program findings lead to Senate Bill 810, making a road usage charge in Oregon operational for 5,000 volunteers.

2014: Implementation team undertakes the planning, design, communication, coordination and implementation steps needed to create and maintain the Road Usage Charge Program systems.

2015: Road Usage Charge voluntary program, enacted in Senate Bill 810 (2013), opens for enrollment July 1, 2015.

Proceedings

The Road User Fee Task Force has held three meetings since its last report to the legislative assembly in 2013. At the first meeting in May 2014, the task force reviewed the status of the new Road Usage Charge Program created by Senate Bill 810 in 2013. The task force also acknowledged that there may be a whole new task force membership at the time of its next meeting because the task force membership 4-year terms were ending in the fall.

The second meeting in February 2015, welcomed new task force members; membership was substantially reconstituted, and selected a new chair, Vicki Berger. In addition, the task force reviewed the status of the Road Usage Charge Program implementation of an operational program, which is a top priority for ODOT. The team also discussed road usage charge activity outside of Oregon. It recommended and moved to support technical amendments, making the emblem requirement optional and removing the requirement to round up to the nearest whole mile, to Senate Bill 810 (2013). The chair also expressed interest in not meeting again until the Road Usage Charge Program implementation team had some experience in the operational trial to report, expected in early May 2015.

The third meeting in May 2015, reviewed the status of the Road Usage Charge Program implementation and the results of the operational trial in preparation for launching OReGO July 1, 2015.

Road Usage Charge Program Implementation

Enacted in 2013, Senate Bill 810 requires that a voluntary Road Usage Charge Program be operational by July 1, 2015. It authorizes ODOT to assess a charge of 1.5 cents in place of the fuel taxes for 5,000 light duty vehicles voluntarily participating in a road usage charge program. It also stipulates:

- Participation of up to 5,000 volunteer light duty vehicles registered in Oregon with no more than 1,500 vehicles with a fuel efficiency rating of less than 17 miles per gallon (mpg), and no more than 1,500 vehicles with a fuel efficiency rating of at least 17 mpg and less than 22 mpg;
- A refund/credit of Oregon fuels tax paid by volunteer vehicle owners, attributable to taxable miles charged and paid;
- Refunds for travel on non-public roads in Oregon, and out of state miles;
- Methods for measuring and reporting mileage that include at least one method that does not use vehicle location technology;
- Contracted private sector partners to provide volunteers the option of private sector administration and choice of mileage reporting method;
- Protection of personally identifiable information from disclosure and the elimination of all location-based and daily metered use data according to strict timelines, unless the volunteer consents to retention; and
- Enforcement of the new law via penalties for false statements, non-payment, and tampering with the in-vehicle technology.

In response to the passage of Senate Bill 810 (2013) ODOT created a team to establish a system and undertake the planning, design, communications, coordination and implementation steps needed to create and maintain the road usage charge system.

The implementation project includes five main components:

1. Business and administration elements, this includes accounting, audit and compliance, volunteer coordination, policy compliance, acquiring and training operations staff, and other functions that ensure project success.
2. Road Usage Charge Administration System (RUCAS), the back-end system that receives data from the Account Managers, as well as the Fuels Tax System and transcribes them into reports necessary for administration of the program.
3. Fuels Tax System, a workflow outside of the implementation project, but is integral to the program. Account Managers will file and pay their official taxes through the Fuels Tax System.
4. Communication tools for attracting volunteers into the program.
5. Account Manager Systems, development support for and certification of account managers, currently two commercial account managers and one ODOT account Manager.

ODOT has contracted with three private partners to deliver Road Usage Charge Program services: Azuga, Verizon Telematics and Sanef. In February 2015, the program launched its volunteer website, myorego.org, a place where potential volunteers can learn about the program, Oregon's private account

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managers, calculate their estimated road usage charge payment and compare it to their current monthly fuel tax cost and sign up to volunteer. The program opened for volunteer enrollment July 1, 2015. Below is a high-level implementation project chronology:

- July 2013 SB 810 passes
- May 2014 RFP issued for ODOT Account Manager and RFQ for Commercial Account Managers
- July 2014 Proposals received for Account Managers
Operations Manager and team assigned to implement SB810.
- August 2014 Quality Assurance engaged
- September 2014 Implementation Plan approved
- October 2014 Project scope, schedule, and budget baselined
- November 2014 Account Manager contracts signed
- December 2014 Account Managers begin Step 3 certification
- January 2015 MyOReGO website launched
- February 2015 RUCAS production environment is operational
- March 2015 Administrative Rules opened for public comment
- April 2015 Operational trial begins
- July 2015 Open for enrollment

Summary

The Road User Fee Task Force is continuing to engage in the Road Usage Charge Program and receive updates on operations. The implementation of the program is on track and the operational volunteer program opened for enrollment July 1, 2015.